

Congress of the United States

Washington, DC 20515

October 20, 2022

Charles Scharf
Chief Executive Officer and President
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Scharf:

We are writing to follow up on an exchange you had with Congressman Casten during the House Financial Services Committee hearing on September 21, 2022. During that hearing, Congressman Casten asked about Wells Fargo's sponsorship of the State Financial Officers Foundation (SFOF), which has reportedly been "weaponizing" state treasurers' offices against climate-related financial risk management by organizing state lawmakers to speak out against a common practice known as Environmental, Social, and Governance (ESG) investing.¹

Congressman Casten asked if you would commit to withdrawing your support for the SFOF on the basis that it is spreading misinformation and attempting to prevent the financial sector from freely allocating capital and appropriately incorporating systemic risks into prudential risk management practices. You indicated that if that was true, you would probably withdraw your support. The dissemination of misinformation and the thwarting of free allocation of capital are central to the approach found in model legislation that SFOF has developed, promoted, and passed in at least five states. This legislation directs state chief financial officers to produce a list of financial institutions that are supposedly "boycotting" fossil fuel companies and to cancel state contracts with those companies.

SFOF's model legislation led West Virginia Treasurer Riley Moore to cancel contracts worth hundreds of millions of dollars with Wells Fargo, JPMorgan Chase, Goldman Sachs, Morgan Stanley, and BlackRock.² A spokesperson for JPMorgan Chase responded that "[Moore's] decision is shortsighted and disconnected from the facts," and that JPMorgan Chase's "business practices are not in conflict with this anti-free market law."³ A spokesperson for Wells Fargo said that Wells Fargo "disagreed" with Moore's decision.⁴

¹ New York Times, [How Republicans are 'Weaponizing' Public Office Against Climate Action](#), (Aug. 5, 2022)

² New York Times, [West Virginia Punishes Banks That It Says Don't Support Coal](#), (Jul. 28, 2022).

³ Id.

⁴ Id.

Last year, the Financial Stability Oversight Council identified climate change as an “emerging and increasing threat” to the financial system,⁵ and the Federal Reserve,⁶ OCC,⁷ and FDIC⁸ have each since taken actions to develop and implement a climate risk supervision framework. Meanwhile, the market is demanding investment options that mitigate exposure to climate risks, which can stem from escalating physical threats to property and infrastructure, as well as potentially sudden and disorderly changes in carbon-intensive asset values. We are troubled that the SFOF would promote an approach to market regulation that attempts to frame climate-smart investing as a “boycott” of the fossil fuel industry or other sectors. This is not only a gross misrepresentation of valid steps that banks and asset managers are taking to measure and minimize their exposure to climate risks and comply with the expectations of their regulators and investors; it also places workers’ retirements at risk by encouraging pension funds and other asset owners to do business only with banks and investment managers that ignore proven methods of risk analysis.

We are further troubled by SFOF’s connections to shadowy right-wing dark money organizations that front for fossil-fuel interests.⁹ One such front group recently received \$1.6 billion from a primary funder of the climate denial group Heartland Institute.¹⁰ SFOF’s connections into this network raise the very real specter that it is a sham operation paid for by the fossil fuel industry. We hope that Wells Fargo would do adequate due diligence to assess that risk before giving its support to such an entity.

SFOF’s model legislation is a perversion of the free-market principles that SFOF claims to espouse. It impedes the sort of informed, risk-based business selection and investment decisions that smart financial regulation should instead be encouraging. Rather than forcing firms to internalize the costs of the risks they take and discouraging activities that undermine financial stability, this model legislation arbitrarily and inconsistently punishes certain banks for their alleged use of ESG practices. The model legislation is creating huge uncertainty in financial markets; Texas’ so-called Energy Discrimination Elimination Act (EDEA) has been in place for just over a year and has already proven difficult to implement,¹¹ caused disruption in the municipal bond market,¹² and imposed new costs on the public. One study found that when the EDEA arbitrarily forces certain financial institutions to exit the municipal bond market, “the remaining banks may enjoy increased market power due to barring banks with certain social and environmental policies from the market.”¹³ This dynamic had the effect of raising debt servicing

⁵ Department of the Treasury, [FSOC Report](#), (Oct. 21, 2021).

⁶ Vice Chair for Supervision Michael Barr, [Making the Financial System Fairer and Safer](#), (Sept. 7, 2022).

⁷ OCC, [Principles for Climate-related Financial Risk Management](#), (Dec. 21, 2021).

⁸ FDIC, [Principles for Climate-related Financial Risk](#), (Marc. 30, 2022).

⁹ New York Times, [Leonard Leo Pushed the Courts Right. Now He’s Aiming at American Society](#) (Oct. 12, 2022)

¹⁰ New York Times, [An Unusual \\$1.6 Billion Donation Bolsters Conservatives](#) (Aug. 22, 2022)

¹¹ NPR, [Texas stumbles in its efforts to punish green financial firms](#), (Apr. 29, 2022).

¹² Bloomberg, [Texas Republicans Roil Muni Bond Market Again With Energy Law](#), (May 23, 2022).

¹³ Garrett and Ivanov, [Gas, Guns, and Government: Financial Costs of Anti-ESG policies](#), (Jun. 7, 2022).

costs for municipalities throughout Texas, at an estimated cost of \$532 million in just the first eight months that the law was in effect.¹⁴ In September, *Bloomberg* reported that UBS had been forced to cancel a bond deal with Normangee Independent School District, causing higher interest rate payments for the school district, all due to UBS' presence on the Texas Comptroller's list of "boycotting" firms,¹⁵ which UBS has "firmly" disputed.¹⁶

Recently, the asset manager Federated Hermes announced that it would withdraw its support for SFOF. The firm's participation in SFOF had drawn significant backlash from Federated Hermes' investors, who viewed the asset manager as standing at the forefront of ESG investment best practices. Reacting to the news that Federated Hermes would no longer sponsor SFOF, one employee said, "The views of SFOF are the complete opposite of everything that Hermes stands for. No one wants to see the great reputation we have for our stewardship work getting trashed."¹⁷

In sum, SFOF's model legislation is imposing huge costs on the public, needlessly disrupting financial markets, and putting retirees' hard-earned money at risk-- all in an effort to promote inaccuracies that undermine widely recognized risk analysis methodologies. Please confirm whether Wells Fargo plans to withdraw its sponsorship of this organization by November 3, 2022.

Sincerely,



Sean Casten
Member of Congress



Brian Schatz
United States Senator

¹⁴ *Id.*

¹⁵ Bloomberg, [UBS Loses Texas Muni Deal After It's Named An Energy-Industry Boycotter](#), (Sept. 21, 2022).

¹⁶ Bondbuyer, [UBS placed on Texas list of fossil fuel boycotters](#), (Aug. 24, 2022).

¹⁷ Financial Times, [Under fire. US Fund manager pulls controversial sponsorship of climate skeptics](#), (Sept. 20, 2022).

Kathy Castor

Kathy Castor
Member of Congress

Sheldon Whitehouse

Sheldon Whitehouse
United States Senator

Suzanne Bonamici

Suzanne Bonamici
Member of Congress

Elizabeth Warren

Elizabeth Warren
United States Senator

Jesús G. García

Jesús G. "Chuy" García
Member of Congress

Jared Huffman

Jared Huffman
Member of Congress

Barbara Lee

Barbara Lee
Member of Congress

Mike Levin

Mike Levin
Member of Congress

Alan S. Lowenthal

Alan S. Lowenthal
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Stephen F. Lynch

Stephen F. Lynch
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Doris Matsui

Doris Matsui
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A. Donald McEachin

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Alexandria Ocasio-Cortez

Alexandria Ocasio-Cortez
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Katie Porter

Katie Porter
Member of Congress

Bobby L. Rush

Bobby L. Rush
Member of Congress